BANK OF CANADA
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Senior Loan Officer Survey

on Business-Lending Practices in Canada

Results of the Second-Quarter 2009 Survey

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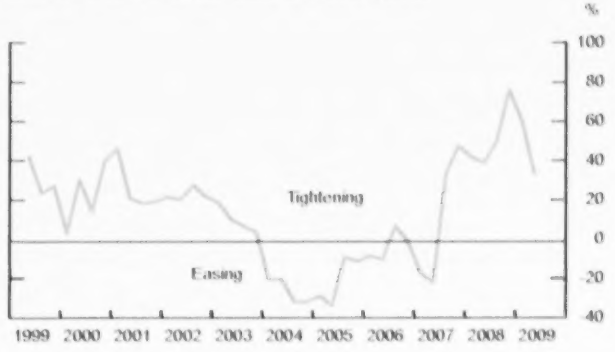
This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the second quarter of 2009.

- Survey respondents reported continued tightening in lending conditions **(Chart 1)**. This tightening was evident in both the price and non-price[1] aspects of business lending **(Chart 2)**. Note that the balance of opinion indicates only the amount of agreement among respondents about the direction of the change in conditions; it does not provide any information on the magnitude of the change.
- The tightening in lending conditions in the second quarter was less generalized among respondents than in previous quarters and was focused in specific industries, including the auto sector, forestry products, and transportation.
- Respondents attributed the ongoing tightening to deteriorating conditions in industries most affected by the recession, as well as to concerns about the general economic outlook.

1 The non-price responses indicate that lenders have tightened the terms or standards for loans or are limiting the amount of funds allocated to some sectors, regions, or businesses.

Chart 1: **Lending conditions continued to tighten for Canadian firms . . .**

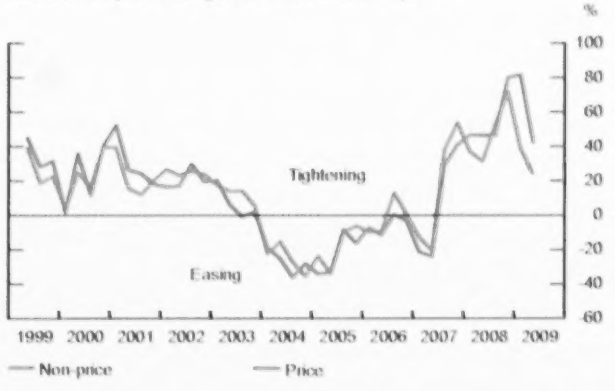
Overall business lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the pricing and non-pricing dimensions of lending conditions.

Chart 2: **. . . in both price and non-price terms**

Price and non-price lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial, and corporate sectors.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The second-quarter survey was conducted between 8 June and 19 June 2009. Additional information on the survey is available on the Bank of Canada's website at <http://www.bankofcanada.ca/en/slos/index.html>.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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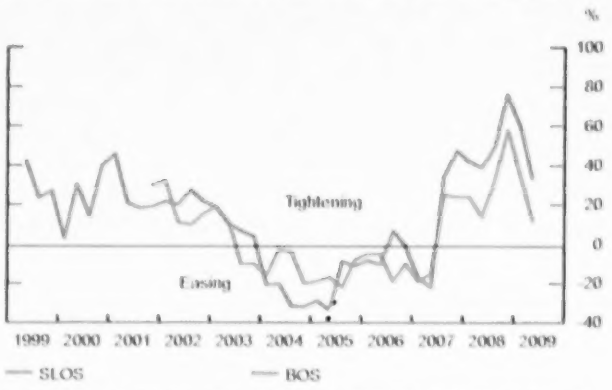
- The *Senior Loan Officer Survey* (SLOS) and the *Business Outlook Survey* (BOS) collect complementary information on business-lending conditions. The SLOS surveys financial institutions about their willingness to lend to businesses, while the BOS collects information on firms' access to credit **(Chart 3)**. In the latest survey, the balance of opinion on credit conditions, while still in an overall tightening position, has fallen from the levels of recent surveys.

Chart 3: **The SLOS and the BOS both show credit tightening less prevalent in 2009Q2**

Overall business lending conditions: SLOS and BOS – Balance of opinion*



* The balance of opinion is calculated as the percentage of respondents reporting tightening minus the percentage reporting easing (percentages are weighted for the SLOS balances). Thus, a positive balance of opinion implies a net tightening.